

## ***NEWS RELEASE***

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CONTACT: GLENN BRIERE  
(617) 727-6200, EXT. 123

### **DeNUCCI AUDIT HELPS STATE, CITIES AND TOWNS RECOVER NEARLY \$1 MILLION IN EDUCATION FUNDS**

State Auditor Joe DeNucci reported today that a Department of Education (DOE) contractor overcharged \$966,585 to its state contract and should return these funds to the state and participating cities and towns.

DeNucci initiated his review at the request of DOE after the department learned of the potential overcharges by the EDCO Collaborative, which provides educational services to students in 20 communities and school districts in Greater Boston and over 900 students statewide.

According to DeNucci's audit, EDCO improperly charged \$853,691 in program costs to the state by not adhering to state regulations. Additionally, during the audit period which went from fiscal years 1998 through 2003, EDCO retained \$112,894 in excess tuition revenues which should be returned to the communities and school districts which made the payments.

The audit concluded that EDCO was directed by a now retired DOE program administrator to shift non-state program expenses to its state contract each year in order to avoid reverting unused funds back to the state. Also, according to the audit, EDCO's financial reports to the state did not adequately disclose that it was keeping these excess revenues in its accounts.

The new executive director of EDCO first discovered the problem and notified the Department of Education, which in turn ordered EDCO to transfer \$1 million in funds to the State Treasury to be held in escrow pending the results of DeNucci's audit. DeNucci recommended that the state keep the \$853,691 in overcharges and return the remainder of the excess revenues to the participating communities.

Subsequent to the conclusion of the audit work, the Commissioner of the Department of Education sent a letter to Auditor DeNucci indicating that DOE was taking corrective action to ensure proper management controls over the institutionalized student program.

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In other findings, DeNucci reported that DOE, contrary to state regulations, used a human services provider (Toward Independent Living, Inc.) to pay expenses for its program for institutionalized students, resulting in \$57,024 in unnecessary administrative costs to the state.

Also, DeNucci's audit found that EDCO improperly accelerated charging the state \$116,060 for capital items rather than depreciating them over their useful lives as required by state regulations. Finally, the audit disclosed that the \$31,919 in non-reimbursable costs were charged to state contracts for duplicative office space.

"I appreciate the quick action taken by the Commissioner of the Department of Education to gain control of the excess funds, as well as his commitment to correct all of these problems and provide assurance that these public funds are being spent efficiently and for the purposes intended," concluded DeNucci.